

ASSEMBLY BILL

No. 53

Introduced by Assembly Member Simitian

December 2, 2002

An act to amend Section 41204.1 of the Education Code, and to add Section 97.42 to the Revenue and Taxation Code, relating to local government finance.

LEGISLATIVE COUNSEL'S DIGEST

AB 53, as introduced, Simitian. Property tax revenue shifts: limitation.

Existing property tax law requires the county auditor, in each fiscal year, to allocate property tax revenue to local jurisdictions in accordance with specified formulas and procedures, and generally requires that each jurisdiction be allocated an amount equal to the total of the amount of revenue allocated to that jurisdiction in the prior fiscal year, subject to certain modifications, and that jurisdiction's portion of the annual tax increment, as defined. Existing property tax law also reduces the amounts of ad valorem property tax revenue that would otherwise be annually allocated to the county, cities, and special districts pursuant to these general allocation requirements by requiring, for purposes of determining property tax revenue allocations in each county for the 1992–93 and 1993–94 fiscal years, that the amounts of property tax revenue deemed allocated in the prior fiscal year to the county, cities, and special districts be reduced in accordance with certain formulas. It requires that the revenues not allocated to the county, cities, and special districts as a result of these reductions be transferred to the Educational Revenue Augmentation Fund (ERAF) in

that county for allocation to school districts, community college districts, and the county office of education.

This bill would, for each successive qualified fiscal year, as defined, beginning on or after July 1, 2006, modify these reduction and transfer provisions by restricting the total amount of revenue allocated to a county's ERAF to the applicable revenue shift limit, as defined. This bill would require that those revenues that may not be allocated to the county's ERAF as a result of this limitation to instead be allocated among local agencies in the county in accordance with each local agency's proportionate share of those revenues that would be deposited in the county's ERAF in the absence of this bill. By imposing new duties upon local tax officials in the annual allocation of ad valorem property tax revenues, this bill would impose a state-mandated local program.

This bill would also state the intent of the Legislature, and would require the Director of Finance to make certain adjustments, with respect to ensuring that the modifications required by this bill and earlier acts to property tax revenue allocations do not have a net fiscal impact on school districts or community college districts, or upon the state's obligation under the California Constitution to provide funding to those districts.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 41204.1 of the Education Code is
2 amended to read:
3 41204.1. (a) (1) Pursuant to paragraph (2) of subdivision (b)
4 of Section 41204, the Director of Finance shall annually adjust
5 "the percentage of General Fund revenues appropriated for school
6 districts and community college districts, respectively, in the
7 1986–87 fiscal ~~year~~ year," for purposes of applying paragraph
8 (1) of subdivision (b) of Section 8 of Article XVI of the California
9 Constitution, to reflect those property tax revenue allocation



modifications, required by the amendments made to Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code ~~and by the act adding this section,~~ *qualifying provisions* in a manner that ensures that those modifications will have no net fiscal impact upon the amounts that are otherwise required to be applied by the state for the support of school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution.

~~(b)~~

(2) *For purposes of this section, “qualifying provisions” means the following:*

(A) *The amendments made to Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code during the 1991–92 Regular Session and the 1993–94 Regular Session.*

(B) *The amendments made to Sections 97.2 and 97.3 of the Revenue and Taxation Code by Chapter 1111 of the Statutes of 1996.*

(C) *Section 97.42 of the Revenue and Taxation Code.*

(b) *Notwithstanding any other provision of law, for the 2003–04 fiscal year and each fiscal year thereafter, “the percentage of General Fund revenues appropriated for school districts and community college districts, respectively, in fiscal year 1986–87,” for purposes of paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution, shall be deemed to be the percentage of General Fund revenues that would have been appropriated for those entities if the amendments made to Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code during the 1991–92 Regular Session, the amendments made to that same chapter during the 1993–94 Regular Session, and Section 97.42 of the Revenue and Taxation Code, had been operative for the 1986–87 fiscal year.*

(c) *In no event may the recalculations required by subdivisions (a) and (b) result in a percentage that exceeds the “percentage of General Fund revenues appropriated for school districts and community college districts, respectively, in fiscal year 1986–87,” for purposes of paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution prior to the amendments made to Chapter 6 (commencing with Section 95) of Part 0.5 of*

1 *Division 1 of the Revenue and Taxation Code during the 1991–92*
2 *Regular Session.*

3 (d) It is the intent of the Legislature ~~in enacting the act adding~~
4 ~~this section~~ to ensure both of the following:

5 (1) That the changes required by the ~~act adding this section~~
6 *qualifying provisions* in the allocations of ad valorem property tax
7 revenues do not have a net fiscal impact upon school districts, as
8 defined in ~~accordance with~~ Section 41302.5, or community
9 college districts.

10 (2) That the changes required by the ~~act adding this section~~
11 *qualifying provisions* in the allocations of ad valorem property tax
12 revenues do not have a net fiscal impact upon the amounts of
13 revenue otherwise required to be applied by the state for the
14 support of school districts and community college districts

15 pursuant to Section 8 of Article XVI of the California Constitution.
16 SEC. 2. Section 97.42 is added to the Revenue and Taxation
17 Code, to read:

18 97.42. Notwithstanding any other provision of this chapter,
19 for purposes of annual property tax revenue allocations, all of the
20 following apply:

21 (a) The total amount of ad valorem property tax revenue
22 annually allocated to the county's Educational Revenue
23 Augmentation Fund may not exceed the applicable revenue shift
24 limit as described below:

25 (1) For the first qualified fiscal year and each fiscal year
26 thereafter until the second qualified fiscal year, the total amount
27 of ad valorem property tax revenue allocated to the county's
28 Educational Revenue Augmentation Fund for the immediately
29 preceding fiscal year, plus 90 percent of that fund's otherwise
30 applicable share of the annual tax increment.

31 (2) For the second qualified fiscal year and each fiscal year
32 thereafter until the third qualified fiscal year, the total amount of
33 ad valorem property tax revenue allocated to the county's
34 Educational Revenue Augmentation Fund for the immediately
35 preceding fiscal year, plus 80 percent of that fund's otherwise
36 applicable share of the annual tax increment.

37 (3) For the third qualified fiscal year and each fiscal year
38 thereafter until the fourth qualified fiscal year, the total amount of
39 ad valorem property tax revenue allocated to the county's
40 Educational Revenue Augmentation Fund for the immediately

preceding fiscal year, plus 70 percent of that fund's otherwise applicable share of the annual tax increment.

(4) For the fourth qualified fiscal year and each fiscal year thereafter until the fifth qualified fiscal year, the total amount of ad valorem property tax revenue allocated to the county's Educational Revenue Augmentation Fund for the immediately preceding fiscal year, plus 60 percent of that fund's otherwise applicable share of the annual tax increment.

(5) For the fifth qualified fiscal year and each fiscal year thereafter until the sixth qualified fiscal year, the total amount of ad valorem property tax revenue allocated to the county's Educational Revenue Augmentation Fund for the immediately preceding fiscal year, plus 50 percent of that fund's otherwise applicable share of the annual tax increment.

(6) For the sixth qualified fiscal year and each fiscal year thereafter until the seventh qualified fiscal year, the total amount of ad valorem property tax revenue allocated to the county's Educational Revenue Augmentation Fund for the immediately preceding fiscal year, plus 40 percent of that fund's otherwise applicable share of the annual tax increment.

(7) For the seventh qualified fiscal year and each fiscal year thereafter until the eighth qualified fiscal year, the total amount of ad valorem property tax revenue allocated to the county's Educational Revenue Augmentation Fund for the immediately preceding fiscal year, plus 30 percent of that fund's otherwise applicable share of the annual tax increment.

(8) For the eighth qualified fiscal year and each fiscal year thereafter until the ninth qualified fiscal year, the total amount of ad valorem property tax revenue allocated to the county's Educational Revenue Augmentation Fund for the immediately preceding fiscal year, plus 20 percent of that fund's otherwise applicable share of the annual tax increment.

(9) For the ninth qualified fiscal year and each fiscal year thereafter until the 10th qualified fiscal year, the total amount of ad valorem property tax revenue allocated to the county's Educational Revenue Augmentation Fund for the immediately preceding fiscal year, plus 10 percent of that fund's otherwise applicable share of the annual tax increment.

(10) For the 10th qualified fiscal year and each fiscal year thereafter, the total amount of ad valorem property tax revenue

1 allocated to the county's Educational Revenue Augmentation
2 Fund for the ninth qualified fiscal year.

3 (b) Those amounts of ad valorem property tax revenue that may
4 not be allocated to the county's Educational Revenue
5 Augmentation Fund as a result of subdivision (a) shall instead be
6 allocated among the local agencies in the county in accordance
7 with each local agency's proportionate share of the total amount
8 of ad valorem property tax revenues that would be required to be
9 allocated to the county's Educational Revenue Augmentation
10 Fund in the absence of this section.

11 (c) Each reduction resulting from the implementation of
12 subdivision (a) in the amount of ad valorem property tax revenues
13 deposited in the county's Educational Revenue Augmentation
14 Fund shall be applied exclusively to reduce the amounts that are
15 allocated from that fund to school districts and county offices of
16 education, and may not be applied to reduce the amounts of ad
17 valorem property tax revenues that are allocated from that fund to
18 community college districts.

19 (d) For purposes of this section, "qualified fiscal year" means
20 a fiscal year beginning on or after July 1, 2006, that is immediately
21 preceded by a fiscal year during which nonfarm employment did
22 not decline for consecutive calendar quarters.

23 SEC. 3. No reimbursement is required by this act pursuant to
24 Section 6 of Article XIII B of the California Constitution because
25 this act provides for offsetting savings to local agencies or school
26 districts that result in no net costs to the local agencies or school
27 districts, within the meaning of Section 17556 of the Government
28 Code.

